ALASKA ECONOMIC TRENDS

REGISTERS RING FOR AK.'S RETAILERS

SEASONAL SLOWDOWN CONTINUES

December 1990

ALASKA ECONOMIC
TRENDS

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Alaska Economic Trends is a monthly publication dealing with economic-related issues of Alaska. Opinions and analyses expressed by guest authors may not be consistent with those of the Alaska Department of Labor.

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Cover design by Jim Fowler

Registers Ring for Alaska's Retailers

by Neal Fried and Holly Stinson

Unlike elsewhere in the country, cash registers in Alaska are expected to ring louder this Christmas season than they have in a long time. Christmas is a critical season for many retailers. For some—such as jewelers, toy stores, and art dealers — the Christmas season can account for more than 50% of their annual sales.

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Even Without Christmas, Alaska's Retailers Are Doing Well

While many retailers' peak sales occur during Christmas, others find Christmas to be the slowest time of year. Auto dealers, souvenir sellers, and building suppliers are included in this group. Instead of buying cars, consumers are buying Christmas gifts; tourists are few and far between, and home construction is in the deep freeze. Even without the benefit of the Christmas frenzy, the past two years have been good ones for most Alaskan retailers.

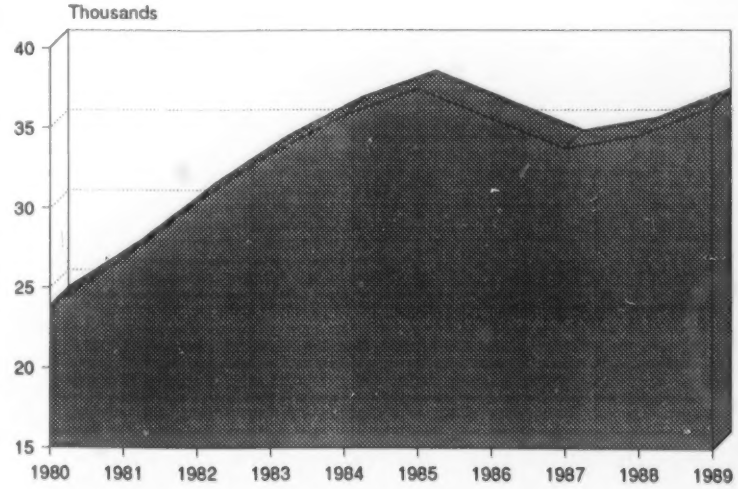
Retail Trade Defined

Retail trade includes any business that sells merchandise for personal or household consumption. There are a few exceptions, such as building supply stores, where most sales may be to contractors. The industry can further be broken down into the eight categories in Figure 2. Some of these classifications are clear. For example, bars and restaurants make up the eating and drinking category. Other categories are not quite as obvious. The miscellaneous retail category is dominated by retailers selling specialized items such as books, jewelry, souvenirs, flowers, pets, and sporting goods.

The firms classified in an industry group do not necessarily account for all sales in a particular merchandise category. For example, not all restaurant and bar activity is captured under the eating and drinking group because some bars and restaurants

Figure 1

Retail Trade Employment 1980-1989



Source: Alaska Department of Labor, Research & Analysis.

Table 1

Per Capita Sales by State for 1987

	Sales (in thousands)	Population (in thousands)	Per Capita Sales	Rank
Alabama	$21,260,901	4,084	$5,206	40
ALASKA	3,606,187	524	6,882	12
Arizona	21,778,355	3,400	6,405	17
Arkansas	11,631,735	2,388	4,871	47
California	179,801,438	27,653	6,502	14
Colorado	20,688,591	3,293	6,283	19
Connecticut	25,101,778	3,212	7,815	2
Delaware	4,975,670	648	7,679	3
Florida	87,925,609	12,022	7,314	7
Georgia	39,994,882	6,227	6,423	16
Hawaii	8,084,416	1,082	7,472	5
Idaho	4,891,007	1,000	4,891	46
Illinois	68,263,937	11,584	5,893	27
Indiana	33,097,064	5,530	5,985	24
Iowa	15,081,608	2,823	5,342	37
Kansas	13,396,598	2,475	5,413	35
Kentucky	18,939,911	3,723	5,087	43
Louisiana	21,627,111	4,448	4,862	48
Maine	8,651,022	1,186	7,294	8
Maryland	32,009,372	4,536	7,057	11
Massachusetts	44,818,481	5,856	7,653	4
Michigan	56,697,319	9,205	6,159	21
Minnesota	27,279,799	4,244	6,428	15
Mississippi	11,357,667	2,624	4,328	50
Missouri	30,175,565	5,107	5,909	26
Montana	4,344,392	809	5,370	36
Nebraska	8,486,334	1,594	5,324	38
Nevada	7,320,982	1,006	7,277	9
New Hampshire	9,961,260	1,056	9,433	1
New Jersey	54,778,648	7,674	7,138	10
New Mexico	7,919,592	1,496	5,294	39
New York	103,212,226	17,835	5,787	31
North Carolina	39,051,791	6,409	6,093	22
North Dakota	3,729,644	671	5,558	33
Ohio	63,190,793	10,816	5,842	29
Oklahoma	16,073,548	3,259	4,932	45
Oregon	16,821,047	2,723	6,177	20
Pennsylvania	71,216,605	11,942	5,964	25
Rhode Island	6,314,662	986	6,404	18
South Carolina	18,949,588	3,426	5,531	34
South Dakota	3,683,364	709	5,195	41
Tennessee	28,532,933	4,855	5,877	28
Texas	97,175,804	16,781	5,791	30
Utah	8,378,777	1,680	4,987	44
Vermont	4,043,351	547	7,392	6
Virginia	38,960,210	5,914	6,588	13
Washington	27,249,801	4,542	6,000	23
West Virginia	9,029,979	1,898	4,758	49
Wisconsin	27,802,534	4,807	5,784	32
Wyoming	2,521,899	490	5,147	42
United States	1,493,308,759	243,419	6,135	

Source: U.S. Department of Commerce, Bureau of the Census.

are part of hotel and lodging operations. Grocery stores are in the food store category but they carry an increasing number of nonfood items as well. Despite the crossover between classifications, a look at this industry by category can provide insight into the different facets of retail trade.

It Was A Good Decade For Retail Trade

Because there are no reliable annual sales data for Alaska (due to lack of a sales tax in most areas of the state) employment is the next best measure for the retail industry. According to employment figures, the past decade was good to Alaskan retailers. Their employment grew by 50+% versus 35% growth for all industries.

Retail trade was not immune from the effects of the 1986-88 recession. However, employment in this sector did not fall as dramatically as in the rest of the economy. In 1988 employment in retail trade began to turn the corner. (See Figure 1.) Retailers enjoyed an exceptionally strong year in 1989 and continued to enjoy growth in 1990.

The timing is not surprising since it coincides with the recovery in the economy — overall employment and income also began to grow in late 1988. More jobs and higher income meant people began to buy more. By 1990, retail trade completely recovered the employment lost during the state's recession.

Alaska Is A Good Place For Retailers

All available statistics indicate that Alaska is a healthy market for retailers. Alaska ranks 12th in the country on a per capita sales basis. (See Table 1.)[1/] Part of the explanation for Alaska's high ranking is the higher prices paid for goods in Alaska. However, these statistics were compiled during the depth of Alaska's recent recession — not a very healthy period for retail sales. Also, retail

purchases made at Alaska's military post exchanges and commissaries are not included in Table 1. For federal fiscal year 1989, these military purchases amounted to more than $170 million.

While high prices are a factor in Alaska's lofty rank in per capita sales, the type of goods Alaskans purchase also influenced the rankings. In interviews conducted for this article, retailers said that Alaskans spend more money and buy better quality goods than shoppers elsewhere. The main reason for this is that Alaskans have more disposable income and therefore more purchasing power than residents of many states. Alaska's high disposable income is a result of two factors. Alaska's per capita income in 1989 was 23% above the national average. Also, Alaskans enjoy a lower than average tax burden.

Other statistics confirm that Alaskans have above average purchasing power. According to Sales & Marketing magazine's annual Survey of Buying Power, Alaska's median household effective buying income (EBI) was $32,678 in 1989. This was 26% above the national average, and the fourth highest EBI in the nation. Anchorage, which is responsible for 54% of the state's retail sales, ranked 8th in retail sales per household in the nation out of more than 250 metropolitan areas.

In addition to above average income, demographics contribute to the favorable retail climate in Alaska. Alaska's population is younger on average than the nation's. A younger population tends to consume more and save less than an older population because they are busy establishing new households and families.

Tourism Provides A Boost To Retail Trade

In addition to the benefits of higher incomes and a young population, Alaska's retail trade industry is the principal beneficiary of the Alaskan tourism industry. According to a 1982 Department of Labor study, 29% of the state's retail trade jobs were attributed to visitor activity. Eating and drinking places were the biggest winners but general merchandisers and miscellaneous retailers also benefit from Alaska's visitors.

The General Merchandiser Has Something For Everyone

One group of stores that fills up with customers during the Christmas rush is Alaska's general merchandisers. This may be because they have something for everyone — boots for the wife, a computer for the eldest daughter, a doll for the baby and a tie for the husband. Although their Christmas sales don't account for 50% of their annual business, it is their most lucrative season.

Alaskans spend more money and buy better quality goods than shoppers elsewhere.

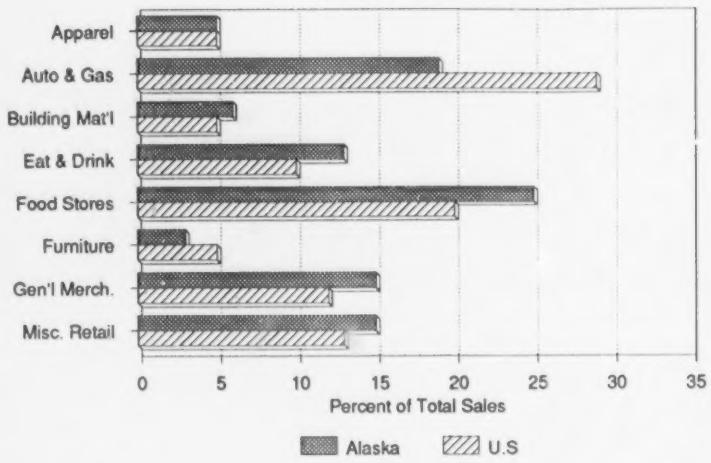
Seven out of Alaska's largest 100 employers are general merchandisers, including Sears, Nordstrom and J.C. Penney. There are also a large number of medium-sized and small operators. General merchandisers account for 11% of all retail sales. The average sales per store is $4.2 million, which represents the highest per store sales in the industry.

As a group, general merchandisers have done relatively well over the past decade. Employment grew steadily in the 1983-85 boom. (See Table 2.) During this time there was new entry into the market, such as Fred Meyer's new stores in Anchorage, Fairbanks and Juneau. Beginning in 1986, however, sales began to slump. Most operations cut the size of their staffs. Some closed permanently, like the Montgomery Wards store in Anchorage. A host of other smaller operations also shut their doors permanently.

In 1988 the markets began to return and by 1989 employment reached a new record high. Fred Meyer started building a second store in Fairbanks this fall and rumors are widespread that other merchants are planning to enter the Alaskan market.

Figure 2

Retail Sales by Category — Alaska and U.S., 1987



Source: Alaska Department of Labor, Research & Analysis.

Alaskans rely on mail order business more than other Americans.

Apparel Stores Sell Specialized Items

One of retail's smallest categories is the apparel and accessory group. Lamonts, Alaska's largest apparel store, is an anomaly because most apparel stores are small independents. They usually offer a specialized line of clothing such as children's, western wear, or lingerie. Average sales per store were only $193,111 in 1987. Although Alaskans spend nearly 7% of their consumer dollar on clothing, apparel stores must share their market with general merchandisers, catalog operations and sporting goods stores which also sell apparel.

Miscellaneous Retailers Are Everywhere

Miscellaneous retailers are characterized by small independent stores, although some chain operations are also included in this category. Miscellaneous retail stores are found in strip malls, nestled between anchor stores in large malls, or standing alone as store fronts in most of Alaska's communities. Also included in miscellaneous retail are fuel dealers and mail order businesses.

Gift and souvenir shops have the largest number of operations in the miscellaneous group. According to the Bureau of the Census, $35.5 million worth of gifts and souvenirs were sold in Alaska in 1987, or $229,000 per establishment. Another retailer in the miscellaneous category, sporting goods stores, has impressive per capita sales statistics. Alaskans spent $91 per person on sporting goods while the average for the U.S. was $41 per person.

Mail Order Is A Big Business In Alaska

If the mail order portion of miscellaneous retail sales was adequately captured in the statistics, it would end up being a big slice of Alaska's retail pie. However, mail order sales statistics are elusive for two reasons. One is that orders placed with firms in other states show up as sales in those states, not Alaska. The second is that there are many retailers in Alaska, besides those who are set up primarily as mail order houses, who also do mail order business. Their mail order statistics are captured in their particular retail category, such as food stores or general merchandise. Their mail order sales are not included in the retail category for mail order businesses.

Alaskans order merchandise both from the Lower 48 and within the state. Many Anchorage retailers routinely ship goods to rural parts of the state. Although not captured in the statistics, there is little doubt, after talking to retailers, that Alaskans rely on mail order business more than other Americans.

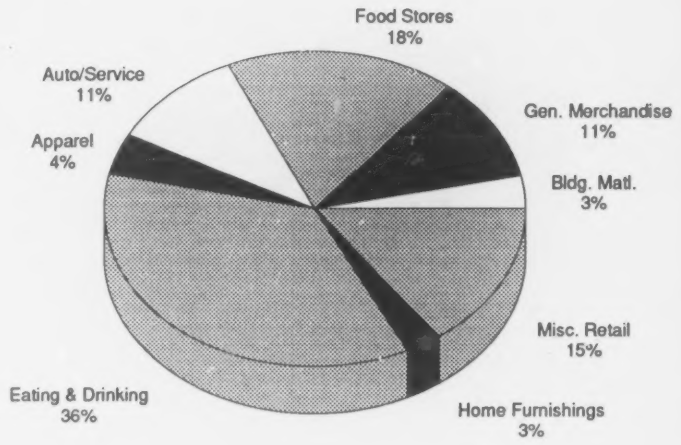
Building Material Suppliers Are Tied to Construction Industry

So far, we've examined those retail businesses which see their peak season at Christmas. Other sectors of retail trade don't see a big sales boost during the Christmas season — in fact for some retailers sales slow down at this time of year. One such category is building materials and garden supplies. For them, summer is the big sales season. While mobile home dealers are also included in this category, more than three-fourths of the sales are for building supplies.

Employment in this sector followed the roller coaster ride that the construction industry was on. As construction projects mushroomed in the early 1980s, so did jobs supplying building materials. Employment more than doubled from 1980 to 1985, and then fell during the recession. As sales to contractors, once the bread and butter of the business, dried up, merchants focused more on retail sales to survive. The spring of 1989 saw a resurgence of building activity, and an increase in jobs. Construction is expanding in 1990 over last year, both on the commercial and residential side. Like construction employment, jobs supplying the construction industry are growing but are still a long way from their 1985 peak.

Figure 3

Retail Trade Employment by Category, 1989



Source: Alaska Department of Labor, Research & Analysis.

Automobile Businesses Indicate Good Economic Times

Another retail group that was hard-hit during the recession is automobile dealers and service stations. When hard times occur, limping along with an aging car instead of replacing it with a newer model is one of the first economic decisions a consumer makes. Car dealers are quick to notice a downturn in the economy; they are also among the first to note a recovery. While retail trade employment grew 5.2% from 1988 to 1989, jobs with auto dealers and service stations grew 11.5%. Employment growth has continued at a healthy rate into 1990 throughout the state.

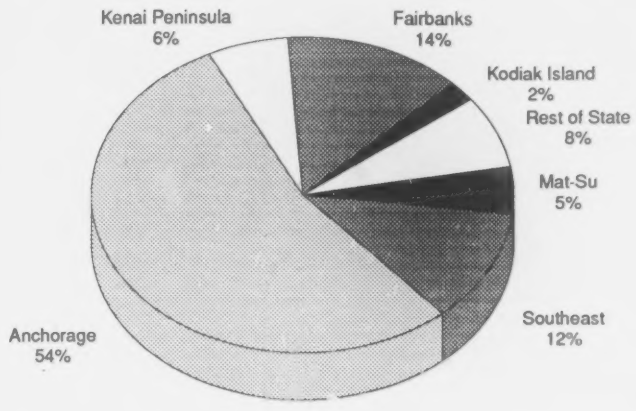
Not all of the local car dealers' business is a commentary on local economics—factory rebates and various financing packages can entice buyers even in bad times. The cost and time involved in transporting vehicles to Alaska is a factor that makes the Alaskan market different. Another factor is the climate — a cold environment is hard on automobiles. This, coupled with the desire for reliability in bad weather, explains why Alaskans tend to upgrade their vehicles sooner than in many other places.

This category is a much smaller part of the retail industry in Alaska, where it makes up 19% of total retail sales, than the U.S. as a whole. Nationwide, car dealers and service stations account for 29% of total retail sales. (See Figure 2.) Some of this differ-

Car dealers are quick to notice a downturn in the economy and among the first to note a recovery.

Figure 4

Retail Sales in 1987 by Geographical Location



Source: U.S. Department of Commerce, Bureau of Economic Analysis.

ence can be explained by the fact that rural Alaskans often rely on all-terrain vehicles or the local taxi instead of owning a car. Alaska's limited road system is also a factor in this difference, along with the number of car purchases Alaskans make out of state.

Even when times are tough people find the money to go out.

Anchorage Dominates The Market For Home Furnishings

Home furnishings garners the lowest total sales of all retail categories (3%). Furniture, draperies, floor coverings and appliances are found in this group. Most of the merchandise in this category carries high price tags and households purchase these items infrequently. Total sales of these items are masked by the fact that general merchandise stores also carry some of these items. Because of the inventory in this category (expensive and bulky), Anchorage dominates this market more so than any other retail sector. About two-thirds of the state's jobs and sales for furniture and other home furnishings are in Anchorage.

Eating & Drinking Establishments Have Largest Share of Retail Jobs

Some of the lowest-priced retail goods are sold in Alaska's eating and drinking businesses. Only 13% of the retail dollars spent in the state go to establishments in this group. However, the eating and drinking sector has the largest share of the employment pie at 36%. (See Figure 3.) This translated into almost 13,000 jobs in 1989. There are additional jobs in this sector which are counted in the services industry as hotel employment.

This industry did not lose much employment during the last recession. Employment almost doubled from 1980 to 1985, then fell only slightly in 1986 and 1987 before recovering. Even when times are tough people find the money to go out. Also, the nationwide trend of eating meals away from home continues to grow.

Wages for all retail employment are lower, on average, than any other industry in Alaska, and people employed in restaurants and bars are paid the lowest average monthly wage within the industry. One reason wages are low is that many jobs in this category are structured to rely on customer gratuities as part of earnings. (Tips aren't included in average monthly wage figures.) Another is that part-time employment is more common in eating and drinking establishments than other retail businesses or in other industries. This tends to lower the average monthly wage.

Even so, employment as a waiter or waitress pays among the lowest of any occupation. This occupation had the second lowest average hourly wage in the Alaska Dept. of Labor's 1990 wage rate survey. (Tips excluded.) Some other occupations in eating and drinking did not fare much better. Short order cooks and dishwashers also have low hourly wages, and theirs are not usually bolstered by tips.

One of Every Four Retail Dollars Is Spent At Food Stores

While Alaskans as a group spend fewer dollars in the auto and service station category, they spend proportionately more at the grocery store than other Americans. (See Figure 2.) Higher prices to cover the cost of freighting grocery items to the state explains some of this disparity.

It is also possible that more nonfood items are carried by Alaska's grocery stores than elsewhere. Today, there are grocers in Alaska that are also major general merchandisers and serve up a variety of prepared foods. As more families have two wage earners, the trend continues to more convenience and prepared foods. Grocery stores are now competing with fast food and other types of restaurants.

Food stores enjoy the largest share of retail sales in Alaska. In 1987, one out of every four retail dollars was spent at these businesses. The purchase of other retail goods might be postponed, but many of the items carried by food stores are necessities.

Two grocery chains, Carr's Quality Centers and Safeway, are among Alaska's 100 largest employers. Another retailer in the Top 100 list, Alaska Commercial Company, sells groceries and general merchandise in several rural locations. They also have the distinction of being Alaska's oldest retailer, with origins dating back to 1867 when Alaska was purchased from Russia.

Over Half of Sales Take Place In Anchorage

More than half of Alaska's retail sales transactions in 1987 took place in Anchorage. The fact that rural residents buy goods in Anchorage explains why a city with 42% of the state's population accounts for 54% of retail sales. (See Figure 4.) Not only off-road Alaskans buy in Anchorage; depending on the product

Anchorage, with 42% of the state's population, accounts for 54% of retail sales.

Table 2

Retail Trade Employment 1980-1989

Category	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
TOTAL	23,868	26,867	30,436	33,393	35,773	37,453	35,580	33,716	34,508	36,312
Building Materials & Garden Supplies	1,034	1,290	1,647	1,879	2,043	2,259	1,458	1,138	1,123	1,243
General Merchandise Stores	3,257	3,149	3,069	3,217	3,564	3,813	3,757	3,421	3,553	3,883
Food Stores	3,711	4,341	4,955	5,315	5,729	6,028	5,842	5,848	6,160	6,415
Automotive Dealers & Service Stations	2,466	2,738	3,037	3,445	3,685	3,800	3,539	3,344	3,421	3,815
Apparel & Accessory Stores	1,093	1,177	1,430	1,450	1,486	1,529	1,426	1,469	1,487	1,532
Furniture & Homefurnishings Stores	641	798	1,000	1,338	1,519	1,394	1,219	975	945	1,017
Eating & Drinking Places	7,991	9,349	10,879	11,929	12,756	13,443	13,183	12,440	12,629	12,991
Miscellaneous Retail	3,675	4,025	4,419	4,820	4,991	5,187	5,156	5,081	5,190	5,416

Source: Alaska Dept. of Labor, Research & Analysis Section

and the price, residents connected by road may drive to Anchorage to make a purchase.

Other than this Anchorage/rural anomaly, other Alaska locations share about the same proportion of population, sales, and retail jobs. What can't be measured are the retail dollars spent outside Alaska, mostly through catalog sales. Also, in-person purchases are made when Alaskans travel out of state. High prices in many retail categories make these options attractive if transportation of the purchase is feasible.

Alaska is a good place for retailers to prosper.

Retail Trade Jobs Growing Faster Here Than U.S.

Alaska's proportion of the work force dedicated to retail trade is similar to that of the U.S. (16% vs. 17%). However, over the past decade, Alaska's retail employment has grown considerably faster than the nation's (52% versus 30%). On an annual average basis, Alaska had over 36,000 retail jobs in 1989.

Retail trade has the dubious distinction of having the lowest annual average monthly wage of any industry in Alaska. However, some sectors of retail trade enjoy higher wages. For example, automobile dealers and service stations had average monthly wages of $2,066 in 1989, several hundred dollars more than any other retail category.

One reason for low average monthly wages is the fact that many people in retail trade work part-time. Average hours worked each week is lowest in this industry. Almost every type of retail outlet employs part-time workers in addition to full-time wage earners. Students put in time after school at fast food restaurants, gas stations and retail stores; parents juggle child-rearing with part-time retail jobs. As fast food outlets proliferate, more and more elderly people are coming out of retirement to work in these and other retail jobs.

Summary: Alaska Is A Healthy Market for Retailers

Alaska's retail trade industry — defined as those businesses selling merchandise for personal or household consumption — grew 50% in the 1980s. More than half of the state's retail sales are made in Anchorage even though it is home to only 42% of the state's population.

The retailing industry can be generally segmented along product lines, although distinctions between retailers can become blurred. Alaskan retailers offer customers a variety of choices, ranging from general merchandisers who have "something for everyone" to corner specialty stores that fill a particular market niche.

Eating and drinking establishments employ the most people in the industry. While purchases at food stores account for one of every four retail dollars spent. Mail order is also big business in the state, although statistics to support this claim are elusive.

Alaska is a good place for retailers to prosper. Alaskans have more to spend because their disposable income tends to be higher than the average American consumer. Alaska's population is also younger than average, and young people tend to consume more. The state's tourism industry provides another boost to retail business.

The Christmas season can account for more than half of some retailers' annual sales. Many businesses selling general merchandise, apparel, and other specialty items fall in this group. Unlike the rest of the country, Alaska's holiday sales are expected to top those of the last two years.

Presently the retail industry is in healthy shape. Confirmation of this are plans of new retailers entering the market to offer new products and competition, and to coax more dollars out of our pockets.

Notes

1. The information in Table 1 is from the U.S. Dept. of Commerce, Bureau of the Census. They publish a census of retail trade every five years for each state and for the U.S. The sales and employment data is given by kind of business and by borough or census area. The publication contains the most comprehensive data that exists for Alaska's retail trade industry.

September Continues Seasonal Slowdown

by Brian N. Rae

September is a slowdown month for the Alaska economy. Employment normally falls, unemployment rises, and most of the state's seasonal industries begin preparing for their winter shutdown. While all these things occurred in September of 1990, many other developments made the Alaska economy anything but predictable.

The unemployment rate did rise - from 5.5% in August to 6.4% in September. (See Table 4.) This was not unexpected, but is still unusually low for this time of year. Last September, the final month of significant oil spill cleanup employment in 1989, the unemployment rate stood at 6.3%. The statewide rate, however, does not tell the whole story. The Gulf Coast region now has a much higher unemployment rate than last year, the only region to increase. Most other regions showed appreciable declines in their unemployment rates over the past 12 months.

In conjunction with the unusually low unemployment rate, employment for September was the highest it has been for that month since 1985, Alaska's peak employment year. (See Table 1 and Table 2.) Still, fitting with the season, this September's total nonagricultural wage and salary employment declined by 5,300 jobs when compared to August.

Employment growth occurred in all industries with the exception of transportation, where last year's oil clean-up workers were tallied. Soon, fortunately, this caveat about oil spill employment will no longer be necessary. Although workers were employed on the clean-up throughout last winter, September of 1989 was the last month with any appreciable clean-up employment. Beginning with next month's employment counts, it will become simpler to judge the annual growth in Alaska's economy because year ago counts will no longer include a mass of clean-up workers.

About the author:

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September is a slowdown month for the Alaska economy.

Alaska's Destiny Affected By Outside Factors

National and international factors have had an effect at the state level, although their full impact might not be felt for several months or years. The U.S. budget deficit, and the difficulty in reaching an agreement on how to control it, will probably have a negative effect on the state.

On a per capita basis, Alaska receives the highest level of federal funding of all the states. (Only Washington, D.C. receives a higher level of federal funding per capita.) In 1987, the state received $1,039 for each resident for funding projects such as transportation facilities and social programs. The

Table 1

Nonagricultural Wage and Salary Employment By Place of Work — Alaska

	p/ 9/90	r/ 8/90	9/89	Changes from: 8/90	9/89
Total Nonag. Wage & Salary	245,400	250,700	243,700	-5,300	1,700
Goods-producing	43,000	49,200	41,800	-6,200	1,200
Mining	11,600	12,000	10,600	-400	1,000
Construction	13,300	13,500	12,900	-200	400
Manufacturing	18,100	23,700	18,300	-5,600	-200
Durable Goods	4,200	4,500	4,500	-300	-300
Lumber & Wood Products	3,300	3,500	3,600	-200	-300
Nondurable Goods	13,900	19,200	13,800	-5,300	100
Seafood Processing	10,100	15,300	10,100	-5,200	0
Pulp Mills	900	1,000	900	-100	0
Service-producing	202,400	201,500	201,900	900	500
Transportation	20,700	21,000	23,300	-300	-2,600
Trucking & Warehousing	2,600	2,700	2,500	-100	100
Water Transportation	1,400	1,400	1,800	0	-400
Air Transportation	6,800	6,900	6,500	-100	300
Communications	3,300	3,300	3,200	0	100
Trade	48,100	48,900	46,600	-800	1,500
Wholesale Trade	8,800	9,000	8,300	-200	500
Retail Trade	39,300	39,900	38,300	-600	1,000
Gen. Merch. & Apparel	5,800	5,800	5,600	0	200
Food Stores	7,000	7,100	6,700	-100	300
Eating & Drinking Places	14,300	14,500	14,200	-200	100
Finance-Ins. & Real Estate	10,800	10,900	10,600	-100	200
Services & Misc.	50,700	51,600	49,800	-900	900
Hotels & Lodging Places	6,100	6,600	5,900	-500	200
Government	72,100	69,100	71,600	3,000	500
Federal	19,100	19,200	18,900	-100	200
State	22,000	21,400	22,100	600	-100
Local	31,000	28,500	30,600	2,500	400

Notes: Prepared in cooperation with the U.S. Bureau of Labor Statistics.

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

The employment numbers that appear above are definitionally different from those that appear in the Labor Force table.

Benchmark date: March 1989

p/ denotes preliminary estimates r/ denotes revised estimates

Source: Alaska Department of Labor, Research & Analysis Section.

average for the United States as a whole amounted to $477 per resident.

In addition, there are 24,500 enlisted military personnel in the state and over 19,000 other federal employees. The budget agreement between Congress and the White House includes cuts in both social and defense programs. Many thought that federal government jobs in Alaska were secure prior to this round of budget negotiations. However, the magnitude of the budget crisis implies that few programs can be spared from cuts. Alaska, because of its larger than average share of federal receipts, might see proportionally larger cuts than some other states.

Higher Oil Prices a Mixed Blessing for Alaskans

The international crisis in Kuwait has also been a factor in Alaska's economy. Although increased oil prices will have some positive impacts on the state, not all of the effects will be welcomed. For example, the costs of transporting goods, already a significant portion of many products' total costs, will increase as fuel costs rise. As gasoline prices rise, basic transportation consumes a larger share of Alaskans' budgets.

In addition, many Alaskans are more dependent on air transportation than people in the Lower 49. Since the crisis in the Middle East began, all major airlines have announced substantial price hikes to cover the higher fuel costs. State services have also been affected by rising fuel costs. The Alaska Marine Highway's allocation for fuel for this year will be insufficient unless prices soon plummet. Likewise, the state's fleet of cars, trucks

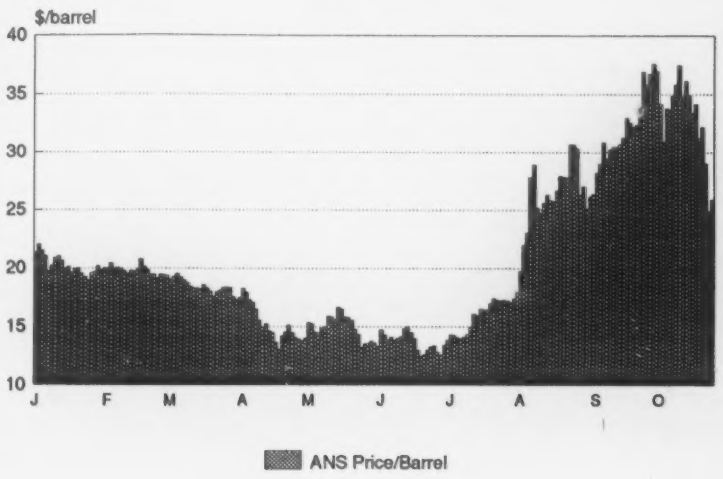
and heavy equipment is costing more to keep running than was expected when the state's budget was approved.

Still the increased prices for crude oil does help the state's economy in some ways. State revenue is still dependent on North Slope oil income, which parallels the world crude market. Compared to the beginning of the year, Alaska North Slope (ANS) oil prices had at one point increased by over 75%. As of this writing in late October ANS is selling for over $30.00 per barrel after reaching a peak of $37.59 on September 27th. (See Figure 1.)

Higher prices also spur oil exploration and development activities in the state. Major players in the industry are again looking for ways to increase production. Responding to an appeal from President Bush for greater domestic production, Alaskan oil companies increased the flow through the Trans-Alaska Pipeline to nearly 2 million barrels per day.

Figure 1

Alaska North Slope Oil Prices
Spot Market Price



Source: Alaska Department of Labor, Research and Analysis Section

Other Industries Helping to Bolster State's Economic Health

Several factors closer to home will also be felt by the state's economy. Two of the state's largest retailers have announced expansion plans. Juneau will be home to the newest JC Penney store. Carrs plans to add a store in Kenai and expand existing stores in Eagle River and Fairbanks. Such expansion plans are one more sign that business leaders are optimistic about the state's future economic health.

Fairbanks could also benefit from another large project. MAPCO, owners of the North Pole refinery, announced plans to construct a pipeline. The pipeline would transport fuels to the Anchorage market. When constructed in 1977, the refinery was mainly designed to supply the Interior region with heating fuel. Increases in production capacity have allowed MAPCO to supply other areas of the state. Most of the firm's expansion has occurred in the Anchorage retail gasoline market and in the supplying of jet fuel at Anchorage International Airport.

Higher prices spur oil exploration and development.

Table 2

Nonagricultural Wage and Salary Employment By Place of Work

Municipality of Anchorage

	p/ 9/90	r/ 8/90	9/89	Changes from: 8/90	9/89
Total Nonag. Wage & Salary	113,200	113,450	109,800	-250	3,400
Goods-producing	13,050	13,650	12,100	-600	950
Mining	3,800	3,850	3,550	-50	250
Construction	6,800	6,950	6,250	-150	550
Manufacturing	2,450	2,850	2,300	-400	150
Service-producing	100,150	99,800	97,700	350	2,450
Transportation	10,900	11,050	10,850	-150	50
Trucking & Warehousing	1,550	1,600	1,500	-50	50
Water Transportation	250	250	400	0	-150
Air Transportation	4,100	4,250	4,050	-150	50
Communications	1,950	1,950	1,850	0	100
Trade	27,000	27,250	26,100	-250	900
Wholesale Trade	6,300	6,450	6,100	-150	200
Retail Trade	20,700	20,800	20,000	-100	700
Gen. Merch. & Apparel	2,850	2,900	2,800	-50	50
Food Stores	3,300	3,300	3,100	0	200
Eating & Drinking Places	8,200	8,200	8,050	0	150
Finance-Ins. & Real Estate	6,900	6,950	6,850	-50	50
Services & Misc.	28,200	28,000	27,500	200	700
Hotels & Lodging Places	2,500	2,600	2,450	-100	50
Government	27,150	26,550	26,400	600	750
Federal	10,350	10,400	10,050	-50	300
State	8,050	7,400	7,700	650	350
Local	8,750	8,750	8,650	0	100

Fairbanks North Star Borough

	p/ 9/90	r/ 8/90	9/89	Changes from: 8/90	9/89
Total Nonag. Wage & Salary	29,150	29,000	28,900	150	250
Goods-producing	2,900	2,950	3,050	-50	-150
Mining	200	250	200	-50	0
Construction	2,100	2,100	2,200	0	-100
Manufacturing	600	600	650	0	-50
Service-producing	26,250	26,050	25,850	200	400
Transportation	2,200	2,250	2,200	-50	0
Trucking & Warehousing	550	550	450	0	100
Air Transportation	400	450	400	-50	0
Communications	200	200	250	0	-50
Trade	6,600	6,650	6,550	-50	50
Wholesale Trade	800	800	800	0	0
Retail Trade	5,800	5,850	5,750	-50	50
Gen. Merch. & Apparel	600	650	700	-50	-100
Food Stores	850	850	800	0	50
Eating & Drinking Places	2,450	2,450	2,400	0	50
Finance-Ins. & Real Estate	950	950	900	0	50
Services & Misc.	6,350	6,700	6,250	-350	100
Government	10,150	9,500	9,950	650	200
Federal	3,100	3,150	3,150	-50	-50
State	4,300	4,000	4,150	300	150
Local	2,750	2,350	2,650	400	100

Anchorage-MatSu Region

	p/ 9/90	r/ 8/90	9/89	Changes from: 8/90	9/89
Total Nonag. Wage & Salary	120,650	120,300	117,150	350	3,500
Goods-producing	13,550	14,050	12,650	-500	900
Mining	3,950	3,900	3,700	50	250
Construction	7,050	7,200	6,500	-150	550
Manufacturing	2,550	2,950	2,450	-400	100
Service-producing	107,100	106,250	104,500	850	2,600
Transportation	11,750	11,650	11,600	100	150
Trade	28,750	28,950	27,850	-200	900
Finance-Ins. & Real Estate	7,350	7,400	7,300	-50	50
Services & Misc.	29,600	29,550	28,850	50	750
Government	29,650	28,700	28,900	950	750
Federal	10,500	10,500	10,150	0	350
State	8,800	8,150	8,600	650	200
Local	10,350	10,050	10,150	300	200

Interior Region

	p/ 9/90	r/ 8/90	9/89	Changes from: 8/90	9/89
Total Nonag. Wage & Salary	33,850	33,700	33,400	150	450
Goods-producing	3,250	3,250	3,250	0	0
Mining	400	400	350	0	50
Construction	2,200	2,200	2,250	0	-50
Manufacturing	650	650	650	0	0
Service-producing	30,600	30,450	30,150	150	450
Transportation	2,500	2,600	2,450	-100	50
Trade	7,150	7,200	7,000	-50	150
Finance-Ins. & Real Estate	1,000	1,000	1,000	0	0
Services	7,100	7,500	6,900	-400	200
Government	12,850	12,150	12,800	700	50
Federal	3,800	3,850	3,900	-50	-100
State	4,850	4,750	4,650	100	200
Local	4,200	3,550	4,250	650	-50

Notes: Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

The employment numbers that appear above are definitionally different from those that appear in the Labor Force table.

Benchmark date: March 1989 p/ denotes preliminary estimates r/ denotes revised estimates

(cont. on page 13)

Source: Alaska Department of Labor, Research & Analysis Section.

Nonagricultural Wage and Salary Employment By Place of Work

Southeast Region

	p/ 9/90	r/ 8/90	Changes from: 9/89	8/90	9/89
Total Nonag. Wage & Salary	35,900	37,400	35,650	-1,500	250
Goods-producing	7,950	9,100	8,150	-1,150	-200
Mining	400	400	300	0	100
Construction	1,350	1,450	1,400	-100	-50
Manufacturing	6,200	7,250	6,450	-1,050	-250
Durable Goods	3,050	3,150	3,300	-100	-250
Lumber & Wood Products	2,850	3,000	3,150	-150	-300
Nondurable Goods	3,150	4,100	3,150	-950	0
Seafood Processing	2,050	2,950	2,050	-900	0
Pulp Mills	900	950	900	-50	0
Service-producing	27,950	28,300	27,500	-350	450
Transportation	2,700	2,800	2,700	-100	0
Trade	5,850	6,100	5,650	-250	200
Wholesale Trade	700	750	650	-50	50
Retail Trade	5,150	5,350	5,000	-200	150
Finance-Ins. & Real Estate	1,150	1,150	1,100	0	50
Services & Misc.	5,550	5,750	5,600	-200	-50
Government	12,700	12,500	12,450	200	250
Federal	2,400	2,400	2,250	0	150
State	5,550	5,600	5,650	-50	-100
Local	4,750	4,500	4,550	250	200

Gulf Coast Region

	p/ 9/90	r/ 8/90	Changes from: 9/89	8/90	9/89
Total Nonag. Wage & Salary	24,350	26,850	27,350	-2,500	-3,000
Goods-producing	6,950	9,150	7,050	-2,200	-100
Mining	950	950	900	0	50
Construction	1,200	1,300	1,300	-100	-100
Manufacturing	4,800	6,900	4,850	-2,100	-50
Seafood Processing	3,700	5,750	3,800	-2,050	-100
Service-producing	17,400	17,700	20,300	-300	-2,900
Transportation	1,750	2,000	4,450	-250	-2,700
Trade	4,000	4,350	4,050	-350	-50
Wholesale Trade	550	650	550	-100	0
Retail Trade	3,450	3,700	3,500	-250	-50
Finance-Ins. & Real Estate	600	600	600	0	0
Services & Misc.	4,800	4,950	4,850	-150	-50
Government	6,250	5,800	6,350	450	-100
Federal	650	650	600	0	50
State	2,000	1,950	2,200	50	-200
Local	3,600	3,200	3,550	400	50

Northern Region

	p/ 9/90	r/ 8/90	Changes from: 9/89	8/90	9/89
Total Nonag. Wage & Salary	15,600	15,300	14,350	300	1,250
Goods-producing	7,000	6,950	6,150	50	850
Mining	6,200	6,150	5,300	50	900
Service-producing	8,600	8,350	8,200	250	400
Government	4,250	4,000	4,100	250	150
Federal	300	300	300	0	0
State	350	350	300	0	50
Local	3,600	3,350	3,500	250	100

Southwest Region

	p/ 9/90	r/ 8/90	Changes from: 9/89	8/90	9/89
Total Nonag. Wage & Salary	15,450	17,100	15,350	-1,650	100
Goods-producing	4,550	6,450	4,500	-1,900	50
Seafood Processing	3,900	5,800	3,900	-1,900	0
Service-producing	10,900	10,650	10,850	250	50
Government	6,200	5,700	6,200	500	0
Federal	1,400	1,350	1,350	50	50
State	550	550	550	0	0
Local	4,250	3,800	4,300	450	-50

Notes: Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

The employment numbers that appear above are definitionally different from those that appear in the Labor Force table.

Benchmark date: March 1989 p/ denotes preliminary estimates r/ denotes revised estimates

Source: Alaska Department of Labor, Research & Analysis Section.

Currently, the Alaska Railroad is the primary and most economical carrier of MAPCO products. However, the company believes a pipeline system may prove cost effective in the long run, and is evaluating its construction. If cost estimates point to profitability and permitting and land access don't present any unforeseen problems, construction could begin in one to two years. The $100 million construction project would create approximately 250 jobs, lasting for slightly less than a year, followed by 15 jobs dedicated to pipeline operation.

The finance, insurance and real estate industry received some unusual news in September. This industry was one of the hardest hit in the last recession, and has only recently shown signs of strengthening. For the first time in several years, a bank is being created instead of being acquired or liquidated. Common stock of the new Northrim Bank should be on the market by the end of October. The principal partners in the venture believe it will fare well in the state's strengthening economy. Some other observers, however, note the difficulties a bank will experience during this time. They contend current low returns on banks' investments and high start-up costs will make it difficult for the new bank to make profits and still attract new customers.

The mining industry showed strong growth in both oil and gas and mineral mining. In total, about 1,000 additional jobs were created in this industry compared to last year. Increased exploration activities associated with the rise in crude prices will further boost employment. Higher crude prices and declining production levels both helped play a role in the announced construction of GHX-2, another gas handling facility to be built on the Prudhoe Bay field. The $1 billion project should increase liquids production by 100,000 barrels per day by the middle of the decade and increase the productive capacity of the field by 330 to 450 million barrels.

Not all news, however, promised employment gains -- the major North Slope oil companies announced plans which will see some employment reductions in the future. Under a joint operating agreement, the companies will consolidate much of their pipeline operations and oversight duties into one entity. This should lead to increased efficiency in the pipeline's maintenance with a corresponding reduction in employment.

All of these job losses will occur in the Northern region, the area of the state with the strongest employment gains. Compared to last September, employment has increased by over 6%. The largest gains have been in the mining industry, which accounted for slightly over one-half of these 900 new jobs, while gains in local government, trade and construction employment provided most of the remainder.

The Anchorage/Mat-Su region was the only other area to even approach this level of employment growth. Its 3% rise was much more evenly distributed among the industries, though mining and construction did show slightly higher growth rates than other industries.

Employment levels were not the only sign of growth in the state. September also marks the beginning of the school year, and this year's enrollment numbers are well above last in most areas. In preliminary enrollment counts from 30 of 50 districts, two-thirds of the districts reported levels higher than last year's.

Both Kodiak and Mat-Su school districts posted record high enrollments this year. Kenai school enrollments

were above 9,000 this year, or 10% above last year's level. Juneau school enrollments also hit an all time high, up by 4.5% compared to last year. Most of the gains in Juneau schools were at the middle and high schools.

Overview

September is traditionally a month where one reflects on Alaska's economic performance during its peak season. While this holds true for September of 1990, there are several other variables which are outside of the control of Alaskans. This past summer season was a good one for most businesses in the state. There were employment gains in most industries, even when compared to last year's oil spill inflated economy. For economy watchers, the task of determining the state's economic growth will from this point on become easier as employment levels are compared with non-oil spill cleanup months.

However, more important to the state's economic health are the yet unanswered questions surrounding the Persian Gulf conflict and the federal budget deficit. How these issues are resolved will have a real impact on Alaska and its economy.

Table 3

Alaska Hours and Earnings for Selected Industries 1/2

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	p/ 9/90	r/ 8/90	9/89	p/ 9/90	r/ 8/90	9/89	p/ 9/90	r/ 8/90	9/89
Mining	$1,137.52	$1,121.38	$1,131.31	47.2	49.4	51.8	$24.10	$22.70	$21.84
Construction	1,224.23	1,202.43	1,176.90	48.6	49.3	47.9	25.19	24.39	24.57
Manufacturing	544.24	625.12	533.34	41.8	54.5	40.9	13.02	11.47	13.04
Seafood Processing	381.61	562.97	375.71	41.3	59.7	39.3	9.24	9.43	9.56
Trans., Comm. & Utilities	599.15	605.15	718.00	35.6	35.0	50.0	16.83	17.29	14.36
Trade	426.49	412.56	388.28	35.9	36.0	34.3	11.88	11.46	11.32
Wholesale	567.22	547.47	534.50	39.5	39.5	39.1	14.36	13.86	13.67
Retail	377.54	364.00	339.75	34.7	34.7	32.7	10.88	10.49	10.39
Finance-Ins. & R.E	423.38	389.76	418.42	37.5	34.1	36.8	11.29	11.43	11.37

Notes: p/ denotes preliminary estimates r/ denotes revised estimates Benchmark: March 1989

1/ Prepared in cooperation with the Bureau of Labor Statistics, U.S. Department of Labor.

2/ Retail Trade excludes eating and drinking establishments.

Averages are based on data for full- and part-time production workers (manufacturing) and nonsupervisory workers (nonmanufacturing) and are for gross earnings and hours paid, including overtime pay and hours.

Source: Alaska Department of Labor, Research & Analysis Section.

Table 4

Labor Force By Region and Census Area

	Labor Force			Unemployment			Rate			Employment		
	p/ 9/90	r/ 8/90	9/89	p/ 9/90	r/ 8/90	9/89	p/ 9/90	r/ 8/90	9/89	p/ 9/90	r/ 8/90	9/89
Alaska Statewide	259,797	266,555	257,781	16,532	14,777	16,155	6.4%	5.5%	6.3%	243,265	251,778	241,626
Anch.-MatSu Region	132,993	133,853	129,269	7,834	7,133	7,653	5.9	5.3	5.9	125,159	126,720	121,616
Municipality of Anchorage	117,696	119,195	114,083	6,167	5,509	5,928	5.2	4.6	5.2	111,529	113,686	108,155
MatSu Borough	15,297	14,658	15,186	1,667	1,624	1,725	10.9	11.1	11.4	13,630	13,034	13,461
Gulf Coast Region	30,127	33,096	32,769	2,531	2,158	2,010	8.4	6.5	6.1	27,596	30,938	30,759
Kenai Peninsula Borough	18,821	20,528	20,240	1,912	1,572	1,393	10.2	7.7	6.9	16,909	18,956	18,847
Kodiak Island Borough	6,720	7,475	7,611	277	252	430	4.1	3.4	5.6	6,443	7,223	7,181
Valdez-Cordova	4,586	5,093	4,918	342	334	187	7.5	6.6	3.8	4,244	4,759	4,731
Interior Region	37,532	37,731	37,068	2,873	2,610	2,897	7.7	6.9	7.8	34,659	35,121	34,171
Fairbanks North Star Bor.	32,477	32,773	32,083	2,425	2,320	2,454	7.5	7.1	7.6	30,052	30,453	29,629
Southeast Fairbanks	2,105	2,057	2,042	185	111	149	8.8	5.4	7.3	1,920	1,946	1,893
Yukon-Koyukuk	2,950	2,901	2,943	263	179	294	8.9	6.2	10.0	2,687	2,722	2,649
Northern Region	8,534	8,475	8,173	640	620	688	7.5	7.3	8.4	7,894	7,855	7,485
Nome	3,151	3,118	3,030	264	245	292	8.4	7.9	9.6	2,887	2,873	2,738
North Slope Borough	3,079	3,056	2,996	93	85	165	3.0	2.8	5.5	2,986	2,971	2,831
Northwest Arctic Borough	2,304	2,301	2,147	283	290	231	12.3	12.6	10.8	2,021	2,011	1,916
Southeast Region	37,568	39,270	37,400	1,996	1,680	2,161	5.3	4.3	5.8	35,572	37,590	35,239
Haines Borough	909	945	897	63	51	59	6.9	5.4	6.6	846	894	838
Juneau Borough	16,898	17,732	16,872	811	733	936	4.8	4.1	5.5	16,087	16,999	15,936
Ketchikan Gateway Bor.	7,011	7,300	6,912	419	334	382	6.0	4.6	5.5	6,592	6,966	6,530
Pr. of Wales-Outer Ketch.	2,823	2,908	2,824	200	136	225	7.1	4.7	8.0	2,623	2,772	2,599
Sitka Borough	4,346	4,604	4,351	156	176	200	3.6	3.8	4.6	4,190	4,428	4,151
Skagway-Yakutat-Angoon	1,806	1,845	1,729	168	114	106	9.3	6.2	6.1	1,638	1,731	1,623
Wrangell-Petersburg	3,775	3,936	3,815	179	136	253	4.7	3.5	6.6	3,596	3,800	3,562
Southwest Region	13,043	14,130	13,102	658	576	746	5.0	4.1	5.7	12,385	13,554	12,356
Aleutians East Borough	917	998	922	10	6	18	1.1	0.6	2.0	907	992	904
Aleutians West	2,570	2,809	2,581	30	29	47	1.2	1.0	1.8	2,540	2,780	2,534
Bethel	5,018	5,431	5,070	324	293	337	6.5	5.4	7.6	4,694	5,138	4,683
Bristol Bay Borough	506	539	495	27	15	17	5.3	2.8	3.4	479	524	478
Dillingham	2,323	2,523	2,352	80	69	115	3.4	2.7	4.9	2,243	2,454	2,237
Wade Hampton	1,709	1,830	1,682	187	164	162	10.9	9.0	9.6	1,522	1,666	1,520

Notes: p/ denotes preliminary estimates r/ denotes revised estimates Benchmark: 1989

- Federal guidelines require the use of unrounded labor force data, adjusted to be consistent with the Current Population Survey in formulas used to allocate federal funds.
- Comparisons between different time periods are not as meaningful as other time series published by the Alaska Department of Labor.
- The official definition of unemployment currently in place excludes anyone who has made no attempt to find work in the four-week period up to and including the week that includes the 12th of each month. Most Alaska economists believe that Alaska's rural localities have proportionately more of these discouraged workers.
- The employment numbers that appear above are definitionally different from those that appear in the Nonagricultural Wage & Salary Employment tables.

Source: Alaska Department of Labor, Research & Analysis Section.

Alaska Economic Regions